

**STATE OF VERMONT  
PUBLIC SERVICE BOARD**

Docket No. 7970

Petition of Vermont Gas Systems, Inc. for	)
a certificate of public good, pursuant to	)
30 V.S.A. § 248, authorizing the construction	)
of approximately 43 miles of new natural gas	)
transmission pipeline in Chittenden and Addison	)
Counties, approximately 5 miles of new	)
distribution mainlines in Addison County,	)
together with three new gate stations in Williston,	)
New Haven and Middlebury, Vermont	)
<b>(In Re: Limited Remand from Vermont</b>	)
<b>Supreme Court)</b>	)

**CONSERVATION LAW FOUNDATION’S BRIEF SUPPORTING REOPENING OF  
PROCEEDINGS IN LIGHT OF NEW COST INFORMATION**

Conservation Law Foundation (CLF) supports reopening the proceedings in this docket in light of the significantly increased cost estimates for completing the proposed project. The significantly increased costs alter the proposed project’s balance of costs and benefits. The costs should not be evaluated in isolation, and the Board should reopen the proceedings to allow a fair evaluation of the actual impacts of the significantly increased cost estimate.

To approve a proposed project, the Board must determine that it will promote the general good of the state. 30 V.S.A. § 248. This requires a full consideration of the project’s overall costs and its effects in light of available alternatives. Yet despite the significantly increased cost estimate, Vermont Gas has not gone back and reanalyzed whether the project retains a net benefit. (Tr. 9/26/14 at p. 58, l. 16-18 (Simollardes)). The evidence presented in this proceeding by Vermont Gas Systems (VGS) and other parties shows the negative impact of the cost increase

has been understated and insufficiently examined. To fairly evaluate the impact of the cost increase, the proceeding should be reopened.

The crux of the VGS claim that the Board should not reopen the proceedings is that because customers can be paying for this project over the course of 50 years or more, the annual carrying costs are low. (Simollardes Pf 9/22/14 at 7; Tr. 9/26/14 at p. 42, l. 12-14; p. 56, l. 19-25; p. 57, l. 1-3; p. 70, l. 9-11, 23-25 (Simollardes)). The VGS analysis simply pushes the cost of the project on to future generations and then argues that the long payback justifies the project. This analysis is comparable to buying a car with a 40+ year lease and then touting the low monthly payments as justification. Especially problematic is that on the 40-year horizon, climate change demands significantly reduced reliance on the pipeline and other fossil fuels. Pushing out payments beyond the time of expected reliance on the pipeline is irresponsible. The Board should reopen the proceeding to ensure Vermonters are not saddled with stranded costs from making payments on a pipeline long past its useful life.

The significant failing of the VGS analyses is two-fold. First, all analyses of the proposed project's benefits were only evaluated on a 20 year time horizon. (Tr. 9/26/14 at p. 80, l. 12-15 (Simollardes)). A fair evaluation would use the same, or at least a comparable, timeframe for evaluating costs and benefits. The project has "a very long life" and current customers in Chittenden and Franklin Counties will not see its benefits until the "later portion of the life." (Tr. 9/26/14 at p. 179, l. 6-11 (Poor)). The Board is asked to speculate about future benefits beyond 20 years, while determining that they justify increased costs that will burden customers for well over 30 years. (Tr. 9/26/14 at p. 32, l. 12-14 (Simollardes); p. 183, l. 22-23 (Poor)).

The failure to have parity in the timeframes of the expected benefits and costs is particularly troubling in light of Vermont's aggressive climate change goals. Vermont law calls

for reducing GHG emissions 50% below 1990 levels by 2028 (14 years from now) and 75% by 2050 (36 years from now). 10 V.S.A. § 578(a). Presenting a project that generations beyond 2050 will be paying for at a time when climate change demands significant reduction in fossil fuel use is irresponsible. The testimony of Mr. Neme showed that cold climate heat pumps are currently cost competitive with natural gas and produce fewer greenhouse gas emissions. ( Neme Pf 9/22/14 at 2). This is a newer technology, the implementation of which is affected by the increased cost of the proposed project. (Tr. 9/26/14 at p. 190, l. 14-25 (Poor)). But Vermont Gas' analysis of the project's cost savings to Addison County homes and businesses failed to consider heat pumps or renewable thermal, and its updated greenhouse gas calculations only reflect conversions of oil and propane to natural gas. (Tr. 9/26/14 at p. 153, l. 18-25; p. 154, l. 1; p. 168, l. 13-14 (Gilbert); p. 85, l. 2-5 (Simollardes)). To fairly evaluate whether the proposed project promotes the general good of the state, the comparison of the increased costs with the technologies that they will replace, such as heat pumps, should be evaluated. To undertake this evaluation, the proceeding needs to be reopened.

The second failing of VGS's analyses is that it reviews costs in isolation, relying on hollow assurances that the project is a "once in a lifetime opportunity" and that VGS is therefore "frankly comfortable" with not conducting a full analysis to demonstrate its public good in light of the increased estimate. (Tr. 9/26/14 at p. 58, l. 17-21; p. 60, l. 1-3 (Simollardes)). The VGS analysis simply reflected the increased costs and then showed the claimed benefits as being the same or greater than previously presented. (Gilbert Pf 9/22/14 at 5-9). Mr. Gilbert's testimony rehashes the same reasons that expanded natural gas service will promote the general good of Vermont as he presented in his December 20, 2012 testimony. (Gilbert Pf 9/22/14 at 5-7). In reciting the claimed benefits, Mr. Gilbert acknowledged that VGS conducted no new analyses or

calculations supporting these claims under the increased cost estimate. (Tr. 9/26/14 at p. 150, l. 21-25 (Gilbert)). The increased estimate means Franklin and Chittenden County customers would be shouldering an additional 3.4% rate increase, for a greater than projected length of time (Tr. 9/26/14 at p. 115, l. 8-19 (Gilbert)). These customers deserve a more complete reevaluation of the project's purported benefit in light of the increased cost estimate.

Though Mr. Gilbert acknowledged that the Board's approval of a CPG is not a "blank check" authorizing construction at any cost, his testimony is that no new analysis is needed to evaluate the benefits in light of the increased costs. (Tr. 9/26/14 at p. 149, l. 15-23; p. 150, l. 12-13 (Gilbert)). VGS indeed seeks a blank check as it simply "can't conceive" of or acknowledge any cost at which, in its view, the proposed project no longer would provide benefits exceeding the costs. (Tr. 9/26/14 at p. 122, l. 5-6; p. 130, l. 16-18; p. 131, l. 6-9 (Gilbert)). This may be the world that VGS wants to inhabit, but a fair evaluation of a project in light of a nearly 40% cost increase requires rigorous analysis balancing costs and benefits and not simply rubber-stamping the project proponents' claims that any cost increase is justified. Only by reopening the proceeding and fairly evaluating the costs and the benefits will the Board be able to carry out its statutory responsibility. 30 V.S.A. § 248.


As acknowledged by Mr. Poor, a number of other variables are affected by the increased cost estimate, on which neither the PSD nor VGS evaluated the impact of the new estimate. For example, the global warming potential of methane is significantly higher than reflected in the VGS evaluation of GHG emissions. (Tr. 9/26/14 at p. 192, l. 1-3 (Poor)). Similarly, new technologies, such as heat pumps, have come into greater use than when the original evaluation was undertaken. (Tr. 9/26/14 at p. 192, l. 7 (Poor); Neme Pf 9/22/14 at Attachment B). The overall GHG emissions also vary depending on how much of the total capacity of the pipeline is

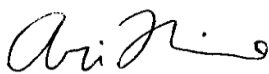
used. (Tr. 9/26/14 at p.192, l. 14-15 (Poor)). These are variables that have changed since the Board's December 2013 approval of the project. (Tr. 9/26/14 at p. 191-192 (Poor)). A fair evaluation of the proposed project requires the Board to reopen the proceeding to consider the impact of these variables. Rather than base a decision on VGS' rosy outlook, which is not agreeable to any cap on additional project costs and ignores significant variables, the Board should reopen the proceeding and base its decision on evidence presented after reopening. (Tr. 9/26/14 at p. 145, l. 25; p. 146, l. 4-5 (Gilbert)).

CLF requests the Board reopen the proceedings in light of the new cost information.

Dated at Montpelier, Vermont, this 1<sup>st</sup> day of October 2014.

CONSERVATION LAW FOUNDATION

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